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***Tax Tips for  
Nonprofit  
Organizations  
Sales and Use Taxes***

***July 1998  
Pamphlet No. 18 • LDA***

### **Taxpayers' Rights Advocate**

The State Board of Equalization wants to make dealing with us as easy as possible. Consequently, we have appointed a Taxpayers' Rights Advocate to help you with problems you cannot resolve at other levels.

You can contact the Advocate's office at:

Taxpayers' Rights Advocate, MIC:70  
State Board of Equalization  
450 N Street  
PO Box 942879  
Sacramento CA 94279-0070

Telephone: 916-324-2798 or 1-888-324-2798  
Fax: 916-323-3319

To request a copy of Publication 70,  
*The California Taxpayers' Bill of Rights*, please call the  
Information Center at 1-800-400-7115.

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*NOTE: This pamphlet summarizes the law and applicable regulations in effect when the pamphlet was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this pamphlet and the law, the latter is controlling.*

## Preface

This pamphlet is intended as a general guide to the Sales and Use Tax Law and Regulations as they apply to nonprofit organizations.

Although many such organizations are exempt from federal and state income tax, there is no similar *general* exemption from California sales and use tax. Sales made by nonprofit organizations are subject to tax even though the proceeds from fund-raising sales may be used for philanthropic purposes. Likewise, purchases made by nonprofit organizations are subject to tax even though the purchaser may be engaged in charitable activities.

This pamphlet begins by discussing those types of nonprofit organizations whose activities are specifically addressed in the Sales and Use Tax Law, including those organizations for which there are special exemptions. Following those chapters, the pamphlet includes general information on seller's permits and sales and use tax reporting requirements. It also discusses common types of fund-raising activities, donations, and loans.

If your organization is exempt from income tax, you will find this booklet to be more helpful if you know the specific sections of the law under which it is exempt. In particular, you may need to know if your organization is tax-exempt under Internal Revenue Code Sections 501(c)(3) or (c)(4), and state Revenue and Taxation Code Section 23701. If you operate a charitable organization, you may also wish to learn whether it is exempt from property taxes under Revenue and Taxation Code Section 214, commonly known as the "Welfare Exemption."

If you cannot find the information you need in this booklet, please contact our Information Center at 1-800-400-7115. Staff will be glad to answer your questions.

This pamphlet supplements another Board of Equalization publication, *Your California Seller's Permit*, which is provided to all first-time applicants for seller's permits. It includes general information about obtaining a permit; using a resale certificate; paying, collecting and reporting sales and use taxes; discontinuing a business; and keeping records. If you do not have a current copy of this booklet, you may obtain one from the Information Center.

We welcome your suggestions for improving this or any other of the Board's tax tip pamphlets. You may use the reader survey on page 29 to let us know what you think, or you may send suggestions to:

State Board of Equalization  
Audit Evaluation and Planning Section, MIC: 40  
P.O. Box 942879  
Sacramento, CA 94279-0040

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# 1. Special Exemptions for Certain Charitable Organizations

☞ For more information on taxable sales and seller's permit requirements, please see chapter 4, "General Sales and Use Tax Reporting Requirements."

## Qualified Charitable Organizations

There are special exemptions in the Sales and Use Tax Law for certain types of charitable organizations. This chapter is designed to address those specific exemptions. For more information, you may wish to obtain Regulation 1570, Charitable Organizations. The organizations described in this chapter are considered to be retailers and must hold a seller's permit. Please see chapter 4, General Sales and Use Tax Reporting Requirements, for further information on seller's permits and tax reporting requirements (page 11).

If your organization meets all of the following qualifications, your sales are not subject to sales or use tax. The organization must:

- Be formed and operated for charitable purposes;
- Qualify, under section 214 of the Revenue and Taxation Code, for the "welfare exemption" from property taxation on the retail site where sales are made, or if the organization does not own the store, on its personal property located there (*thrift store operators*—please see note below);
- Be engaged in the relief of poverty and distress.
- Sell or donate items principally to assist purchasers or donees in distressed financial condition; *and*
- Make, prepare, assemble, or manufacture the items it sells or donates. *Preparation* includes cleaning, repairing, or reconditioning items. *Assembly* includes gathering together items at one location for sale or donation.

For example, assume your organization is a 501(c)(3) charitable non-profit corporation which conducts a rehabilitation program and has qualified for the welfare exemption from property tax. The corporation operates an emergency shelter for homeless families and sells inexpensive hot lunches, made in the shelter's kitchen, to those families in need. Although sales of hot meals are ordinarily subject to tax, your sales are tax-exempt because the organization and your sales meet all of the conditions listed above.

In addition, your *purchases* are not subject to sales or use tax, provided the items you purchase will be donated by your qualifying charitable organization. Using the example above, purchases of clothing, personal supplies, and other articles donated to the families in the emer-

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*Note—thrift store operators:* To qualify for the section 214 welfare exemption, a thrift store must, among other things, conduct a rehabilitation program that is recognized by the state Department of Rehabilitation or operate under the auspices of a city or county rehabilitation program. It must also sell goods that have been processed in some manner by handicapped people who are being rehabilitated through the program and are employed in the operation of the store.

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gency shelter would be tax-exempt. However, tax does apply to your other purchases, such as office supplies, tools, and so forth.

If you believe your organization's purchases are exempt from sales and use tax, as described on the previous page, you can write to the Board and request a review of your eligibility. If the Board determines that you qualify to make exempt purchases, they will send you a letter verifying your exempt status and will provide instructions of what documents to provide retailers.

Send your request to Compliance Planning and Evaluation, Board of Equalization, PO Box 942879, Sacramento, CA 94279-0044. Please provide the following information with your request:

- A letter describing the practices and activities of the organization
- Letters from the California Franchise Tax Board and the Internal Revenue Service verifying your organization's tax-exempt status
- A copy of the organization's Articles of Incorporation and/or By-Laws
- A letter from the County Assessor verifying the property tax welfare exemption or that the organization meets the basic requirements of the exemption

### **Organizations Distributing Certain Materials**

#### **■ Medical Health Information Literature, or Health and Safety Materials**

If your charitable organization's local office distributes medical health information literature, you are not required to pay use tax on the purchase, storage, or other use of that literature, provided that


- You purchase the literature from your organization's national or branch office;
- Your organization is formed and operated for charitable purposes; *and*
- Your organization qualifies for the "welfare exemption" from property taxation under Section 214 of the Revenue and Taxation Code.

This exemption also applies to the purchase, sale, storage, or distribution of health and safety educational materials routinely sold in connection with health and safety and first aid classes. To qualify for the exemption, your national organization must routinely distribute health and safety information *and* meet all of the conditions listed above.

For example, you may operate the local office of a national, nonprofit charitable organization that distributes health and safety materials to the public. As part of your activity, you conduct CPR classes, purchasing textbooks from your national or branch office and selling them to your CPR students. Neither your textbook purchases nor sales would be subject to tax.

## Works of Art and Museum Pieces

*Note:* If you claim either of these museum exemptions, you must maintain records indicating the date of purchase; purchase price; date the art work was first brought into the state; and the dates and locations the work was on public display

 For more details on this topic, you may wish to obtain a copy of Regulation 1586, Works of Art and Museum Pieces for Public Display.

### ■ Medical Identification Tags

A medical identification tag is defined as a tag worn by a person to alert others that he or she has a medical disability or allergic reaction to certain treatments. The sale, storage, or other use of the tags by your organization is exempt from sales and use tax, provided that the organization is exempt from state income taxes under Revenue and Taxation Code Section 23701.

### ■ Children's New Clothing

If your organization distributes new clothing to elementary school children without charge, primarily to assist those in financial need, you are not required to pay sales or use tax on the purchase or use of the clothing.

### ■ Original Works of Art on Public Display

Under certain conditions, the sale or purchase of original works of art for permanent collections on public display are exempt from sales and use tax. These include art works

- Purchased by the state, or any California county, city, or other local government entity, for free public display;
- Purchased by a nonprofit organization operating a public museum under contract with a government entity;
- Purchased by a nonprofit organization that is exempt from state income taxes under Section 23701d of the Revenue and Taxation Code, for a museum open to the public at least 20 hours a week for at least 35 weeks a year;
- Purchased by any buyer for donation to a qualifying organization or government entity, as described above. The art work must be delivered directly to the recipient by the retailer. The donor must transfer title in writing to the recipient.

### ■ Replacement Museum Pieces

In addition, purchases of items to replace objects in a museum's permanent collection are exempt from sales and use tax, if

- The item is purchased to replace a museum display piece that was physically destroyed by flood, earthquake, or other calamity;
- The item is purchased within three years of the calamity; and
- The total value of the purchase or purchases does not exceed the value of the item destroyed, as of its destruction date.

The replacement item must be used exclusively for display purposes. There is no requirement that it be similar to the destroyed piece.

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### **Organizations Holding Auctions to Benefit Homeless Shelters**

Exempt items must be purchased by

- A museum regularly open to the public and operated by or for a local or state government entity;
- A museum, regularly open to the public, operated by a nonprofit organization that is exempt from state income tax under Section 23701d of the Revenue and Taxation Code; or
- A state or local government entity for its public art collection

*Please note:* Display cases, lighting fixtures, shelving, and similar items used in the operation of the museum do not qualify for tax-exempt replacement.

### **Thrift Stores Benefiting Individuals with HIV or AIDS**

Sales made to your nonprofit organization or an affiliate at an auction held to benefit a homeless shelter are exempt from tax, provided that

- You conduct only one such auction during any 12-month period;
- Your organization is exempt from state income tax under section 27301d of the Revenue and Taxation Code; and
- The funds raised in the auction are spent to benefit the homeless shelter and homeless persons.

Sales by and purchases from thrift stores that are operated in order to obtain revenue to provide medical and social services for individuals with HIV or AIDS, are not subject to sales or use tax, provided that

- The organization spends at least 75 percent of the store's net revenues for those medical and social services, and
- The organization is exempt from state income tax under section 27301d of the Revenue and Taxation Code.

If you believe your organization qualifies for the sales and use tax exemption described above, you can ask the Board to review your eligibility. If you qualify, the Board will provide a letter verifying your exempt status. Send your request to Compliance Planning and Evaluation, Board of Equalization, PO Box 942879, Sacramento, CA 94279-0044. Please provide the following information with your request:

- A letter signed by an officer of the organization, describing the organization's activities and certifying that the organization meets the requirements for the exemption described above
- A letter from the California Franchise Tax Board, verifying the organization's exempt status under section 27301d of the Revenue and Taxation Code
- A list of the types of property the organization will sell

This exemption became effective January 1, 1997, and continues through December 31, 2001.

## 2. Organizations Whose Sales Are Generally Not Taxable

☞ For more information, you may wish to obtain a copy of Regulation 1597, Property Transferred or Sold by Certain Nonprofit Organizations, from your local Board office.

### Nonprofit Parent-Teacher Associations

*The nonprofit organizations listed in this chapter are considered to be end users of merchandise they sell, rather than retailers. Consequently, they are generally not required to hold state seller's permits or to report tax on their sales (for some organizations, only specific sales qualify for this exclusion). The organization's sales profits must, unless otherwise noted, be used exclusively to further the purposes of the organization.*

*Although your organization's sales may not be subject to tax, your purchases are generally taxable, and you cannot give resale certificates for them. Since tax must generally be reported by the business selling to your organization, you can expect to pay tax when you buy merchandise. (If you work with a fund-raiser company, different regulations may apply — please see page 10 for details.)*

Nonprofit Parent-Teacher Associations (PTA) chartered by the California Congress of PTA, Incorporated, and equivalent organizations authorized by school authorities to perform the same type of service for public or private schools, are considered to be users of products they sell. The profits from the sales must be used exclusively to further the organization's purpose.

*Please note:* Connection with a school does not automatically make a group equivalent to a chartered PTA. To be considered equivalent, the group must meet all of the following conditions:

- It must be a nonprofit organization that includes parents;
- The group's objectives must include enhancing the welfare of all of the students in the school, and developing better communication between parents and school authorities; (Note: Groups, such as athletic booster clubs, whose efforts are directed toward a select group of students, rather than all students, are not considered PTA-equivalent organizations.)
- The group must be authorized to operate in the school by the school's governing authority;
- The profits from the group's sales must be used exclusively to further the purpose of the organization.

### Nonprofit Youth Organizations

Qualified youth organizations are considered to be retailers in some circumstances, and users in others. To qualify as an end user, your group must be:

- A nonprofit organization that qualifies for tax-exempt status under Internal Revenue Code Section 501 (c), whose primary purpose is to provide a supervised program of competitive sports for youth or to promote good youth citizenship. The

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group must not discriminate on the basis of race, sex, nationality, or religion; *or*

- A youth group or club sponsored by, or affiliated with, a qualified educational institution, including student activity groups: debating teams, swimming teams, bands, choirs, and so forth.

Most public and nonprofit private schools, with the exception of those that discriminate on the basis of race, sex, nationality, or religion, are considered “qualified educational institutions.” For more information, you may wish to obtain a copy of Regulation 1597, *Property Transferred or Sold by Certain Nonprofit Organizations*, from our Information Center (see page 26).

If your youth group does not meet the requirements listed, it is considered to be the retailer of products it sells. Please see the next chapter, “General Sales and Use Tax Reporting Requirements,” for further information.

**Nontaxable Sales.** Qualified youth groups are considered to be users of *food products, nonalcoholic beverages, and items made by members of the organization*, which are sold on an irregular or intermittent basis. The proceeds from sales of these items must be used exclusively to further the group’s purpose.

*Please note:* Sales made in storefront or mobile retail outlets that normally require local business licenses *do not qualify* as intermittent or irregular sales.

**Taxable Sales.** Youth groups selling other items are considered to be retailers of those products. Sales of these items — t-shirts, wrapping paper, mugs, and so forth — are taxable. The sales must be reported as described in chapter 4, “General Sales and Use Tax Reporting Requirements,” beginning on page 11. Your group may need a permanent seller’s permit, as discussed in that chapter.

## Schools Selling Yearbooks and Catalogs

A public or private school, school district, student organization, or county office of education is considered to be the user of yearbooks and catalogs it sells. The yearbooks or catalogs must be prepared for or by the seller and distributed to students. Profits from such sales are *not* required to be used for any particular purpose.

## Friends of the Library

Nonprofit associations commonly called Friends of the Library, or equivalent organizations, are considered to be users of items they sell. The organization must perform auxiliary services to a library district, municipal library, or county library in the state, as authorized by the library’s governing authority. Profits from the organization’s sales must be used exclusively to further the purposes of the organization.

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## **Parent Cooperative Nursery Schools**

Nonprofit parent cooperative nursery school associations are considered to be the users of property they sell, provided that the profits are used exclusively to further the organizations' purpose.

## **Nonprofit Veterans' Organizations**

Nonprofit veterans' associations are considered to be the consumers of United States flags they sell. As such, they are not liable for sales tax on their sales of the flags (however, they are liable for sales or use tax on their purchases of the flags or materials used to make the flags). To qualify as a consumer, the association must use the profits from their flag sales exclusively to further the purpose of the veterans' group.

Sales or use tax does not apply to "Buddy Poppies" and similar symbolic, impermanent lapel pins that are sold or purchased by the Veterans of Foreign Wars and similar organizations. To qualify for this exemption, the items must memorialize U.S. military veterans killed in foreign wars.

## **Organizations Providing Services to the Developmentally Disabled**

Organizations whose primary purpose is to provide services to individuals with developmental disabilities or children with severe emotional disturbances are considered to be the users of items they sell, under certain circumstances. The organization

- Must be tax-exempt under section 501 (c)(3) of the Internal Revenue Code;
- Must not discriminate on the basis of race, sex, nationality, or religion.

All of the following conditions must apply:

- The handmade items sold must be designed, created, or made by individuals with developmental disabilities or by children with severe emotional disturbances, who are members of, or receive services from, the organization;
- The price of each item cannot exceed \$20;
- The organization's sales must be made on an irregular or intermittent basis;
- The profits from the sales must be used exclusively to further the purpose of the organization.

*Example:* Your charitable, tax-exempt organization provides educational services and skills training for developmentally disabled adults. Each year, participants in your programs make holiday decorations, which you sell at an annual open house for \$20 each. The profits are used to buy educational materials for your classes. Your organization's sales are not taxable. (However, your purchases of the materials used to make the decorations are subject to sales or use tax.)

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### **Nonprofit Organizations Operating Within Museums**

Under certain conditions, authorized nonprofit museum auxiliary associations and equivalent organizations that assist a city or county museum within the state are considered users of items they sell. Sales they make at an annual rummage sale are not taxable, provided the rummage sale is *at least the sixth consecutive, annual rummage sale* sponsored by the association. All sales profits must be used exclusively to further the purpose of the organization. (For the first five consecutive, annual rummage sales, the museum auxiliary is considered to be a *retailer* of the items it sells. It must report and pay sales tax on the proceeds.)

### **Endangered or Threatened Animal and Plant Species**

The sale or purchase of endangered or threatened animal and plant species, as defined, is exempt from sales and use tax when both the seller and the buyer are nonprofit zoological societies. In addition, the acquisition or disposition of the animals and plants by such societies are exempt when made through certain trades and exchanges. Endangered or threatened animal and plant species are defined as animals and plants that are listed in appendix I, II, or III of the Convention for International Trade of Endangered Species, or listed as endangered or threatened by the United States Department of the Interior, Fish and Wildlife Service.

### **Organizations Selling Through Vending Machines**

Generally, a nonprofit, charitable, or educational organization is considered to be the user of the following items it sells in a vending machine:

- Items sold for fifteen cents or less;
- Unsorted cold food products (other than beverages), sold in bulk and priced at twenty-five cents or less. Loose candies, for example, are considered to be sold in bulk if the vending machine dispenses them at random in approximately equal portions.

However, sales tax is due on the sales of other taxable items, including toys and carbonated drinks, sold through vending machines.

The *operator* of the machine is responsible to report and pay the tax. If your nonprofit organization stocks the machine and collects the money from it, you are responsible for the sales tax. If the machine is maintained by an outside company, that company must report and pay the tax due. For information on seller's permits and tax reporting requirements, see chapter 4, "General Sales and Use Tax Reporting Requirements," beginning on page 11. For more information on sales of food, please see chapter 6, "Food and Meals," beginning on page 18. For a copy of Regulation 1574, *Vending Machine Operators*, call the Information Center at 1-800-400-7115.

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Certain nonprofit organizations are considered to be the users of *all* products they sell through vending machines, regardless of the price of the items sold. These organizations include

- Nonprofit parent-teacher associations and equivalent organizations
- Nonprofit organizations commonly called Friends of the Library and equivalent organizations
- Nonprofit parent cooperative nursery schools

For more information on these organizations, see pages 6 and 7.

### 3. Organizations Working with Fund-raiser Companies

☞ For more information, you may wish to obtain a copy of Regulation 1597, Property Transferred or Sold by Certain Nonprofit Organizations.

Nonprofit organizations and volunteer groups often contract with fund-raiser companies to help them raise money. Whether your organization is responsible to report and pay sales tax depends on how the sales are handled.

#### ■ Organization considered a sales agent, permit not required

Generally, if your organization's members or representatives solicit orders, collect payments, and distribute merchandise for a fund-raiser company or other similar supplier, they are considered agents of that company. As a result, your organization is not required to obtain a seller's permit for those activities. The fund-raiser company is responsible to report and pay any tax due, based on the retail selling price of the merchandise.

**Please note:** Although your organization's sales may generally not be taxable (as described in chapter 2), sales you make as the agent of a company are not eligible for that special consideration. The company is responsible for any tax due.

#### ■ Organization considered a retailer, must obtain seller's permit

When working with a fund-raiser company, your organization is considered to be a retailer when it buys and sells items for its own direct benefit. You are responsible to obtain a seller's permit and pay any tax due if your organization

- Executes a contract with the supplier clearly stating that the organization will *purchase and resell* merchandise;
- Solicits orders from the public in its own name;
- Collects the sales price from customers in its own name; *and*
- Is responsible for and pays the supplier for the merchandise (or receives the products as a donation).

**Exceptions.** When selling in this manner, your organization is generally *not* responsible to obtain a seller's permit and report tax if:

- The organization is a PTA, Friends of the Library group, nonprofit parent cooperative nursery school, or qualified youth organization (under certain circumstances), as described in chapter 2, beginning on page 5.
- The Board considers the fund-raiser company or supplier to be the retailer of the products you sell. In this case, the company is responsible for the tax. If you are unsure who is obligated to report and pay tax on your sales, please contact us for assistance (see chapter 8).

☞ For information on taxable sales and seller's permit requirements, please see the next chapter, "General Sales and Use Tax Reporting Requirements."

## 4. General Sales and Use Tax Reporting Requirements

☞ For more general information, please refer to publication 73, *Your California Seller's Permit*.

### Taxable and Nontaxable Activities, an Overview

*If your organization is not considered to be an end user of products it sells, as described in chapter 2, or a sales agent, as described in chapter 3, your sales may be subject to sales tax, and you may be required to obtain a seller's permit. (Charitable organizations discussed in chapter 1, while not required to pay tax on their sales, are required to hold seller's permits.) This chapter describes the general tax reporting responsibilities of nonprofit organizations selling merchandise in California. It contains information on common taxable activities, seller's permits, filing returns, charging sales tax, record keeping, using a resale certificate, and applying tax to purchases.*

#### ■ Taxable Activities

Tax generally applies to the sale of tangible personal property in California, including barter and trades. Tax may also apply to your purchases, as explained later in this chapter.

Taxable activities commonly engaged in by nonprofit and volunteer organizations include:

- Sales of food, meals, beverages, and so forth, under certain circumstances. For a more detailed discussion of taxable food sales, see chapter 6, *Food and Meals*, beginning on page 19.
- Sales of items at rummage sales, bazaars, carnival booths, auctions, community events, and other fund-raisers. Sales of homemade items, as well as commercially produced or donated merchandise, are subject to tax.
- Ticket charges for game booths where prizes are *guaranteed* to each ticket purchaser, even though the prizes may have little value. White elephant, fish pond, grab bag, and "pitch-'til-you-win" games are examples of taxable game booth activities.

#### ■ Nontaxable Activities

Certain activities commonly conducted by nonprofit organizations are not taxable, including:

- Sales of certain refreshments — when not sold as part of a meal or in combination with hot food — at an event with *no on-site eating facilities* and *where admission is not charged*, such as an outdoor bake sale. For a more details on the taxability of food items, see chapter 6, "Food and Meals," beginning on page 19.
- Ticket charges for concerts, movies, plays, shows, and so forth, provided that food and meals are not served at the event, or, if served, they are charged for and taxed separately

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- Ticket charges for game booths and raffles where prizes are *not* guaranteed to every ticket purchaser. The nonprofit organization's *purchases* of such prizes are generally subject to sales tax.

## Seller's Permit Requirements

Generally, if you sell items subject to sales tax in this state, you are required to register as a seller and to hold a seller's permit. It is your responsibility to apply for a permit, report sales, and pay any tax due. Whether you are required to have a permanent permit depends on the frequency of your sales activities (see below).

There is no fee charged for a seller's permit. However, the Board can require a security deposit to cover any unpaid taxes that may be owed, if at a later date your organization disbands. The amount of the security, if any, will be determined when you apply for the seller's permit, based on your anticipated sales income.

Certain specific types of organizations are not ordinarily required to hold a seller's permit. For more information on these organizations, please see the preceding chapter.

### ■ Temporary Seller's Permit

If your nonprofit organization holds *no more than three* fund-raising events with taxable sales each year, you may apply for a *temporary* seller's permit *for each event*. Please contact us for information on how to apply (see chapter 8). You may be able to complete your application by mail.

After processing your application, the Board will give you a sales and use tax return to use in reporting the tax due from your fund-raising event. The return and payment will be due on the last day of the month following the month in which your event is held. Please be sure to comply with the deadline on the form — you may be charged a penalty and interest for failing to file the return and payment on time.

If you have held a fund-raising sales event before you apply for a permit, you should contact the Board *immediately*. Prompt action may enable you to apply for the temporary permit, file the required return, and pay any tax due before you owe penalty and interest.

### ■ Permanent Seller's Permit

If your organization conducts *more than three* fund-raising sales events each year, or if your taxable sales activities occur *continuously*, you should apply for a regular seller's permit. Please contact us for information on how to apply (see chapter 8). You may be able to complete your application by mail.

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If you are issued a permanent seller's permit, you will be sent monthly, quarterly, or annual sales and use tax returns at the close of each reporting period. (Your filing frequency is determined by your estimated taxable sales.) You must mail your completed return and any payment due to the Sacramento headquarters office of the Board on or before the due date listed on the return. If you prefer, you may file your return at any Board office. Generally, the due date is the last day of the month following the end of the reporting period. Please be sure to comply with the due date on the return — you may be charged a penalty and interest for failing to file the return and payment on time.

## Charging Sales Tax

You are responsible to report and pay the correct amount of sales tax to the Board, but the law allows you to be reimbursed by your customers for the tax you will owe on a sale. Usually, sellers add this reimbursement as "sales tax" to the price of merchandise at the time the sale is made. If you choose to follow this practice, your receipts should clearly show the amount of tax added at the time of sale.

However, to simplify your sales procedures, you may not wish to add tax to each individual item as you sell it. Instead, you can include tax in the sales price, provided you display a sign stating: *All prices of taxable items include sales tax reimbursement computed to the nearest mill.*

*Example:* You may sell boxes of decorative note cards at a booth.

To save your volunteers from having to calculate the sales tax due and make change with coins, you may wish to charge an even amount — \$5, *including tax* — for each box of cards.

## Keeping Records

Because you are required to report and pay the correct amount of tax on your sales, it is important that you keep adequate records. Your records must show:

- Gross receipts from all sales of personal property, including sales that you do not believe are taxable
- All deductions claimed in filing sales and use tax returns
- The total purchase price of all tangible personal property purchased for sale, use by your organization, or lease

You should keep separate records for each event. They should show the total amount you received, clearly distinguishing between taxable and nontaxable sales.

*Example:* Your organization has a booth at a free community fair selling both t-shirts (taxable) and brownies (nontaxable, in this instance). Your sales records must be itemized to clearly distinguish between proceeds from taxable sales of t-shirts and proceeds from the nontaxable sales of brownies.

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To make your bookkeeping easier, you may want to avoid selling taxable and nontaxable items at the same booth.

Board representatives may examine your books, papers, records, and other documents to verify the accuracy of any sales and use tax return you file. Whether or not you file returns, your records may be reviewed to determine if you owe tax. If you have not paid the correct amount of tax, you may be required to pay penalties and interest in addition to any tax owed.

You should keep your records for four years, unless the Board gives you written permission to destroy them at an earlier date. For more information, you may request a copy of Regulation 1698, *Records*, from our Information Center (see page 26).

## Using a Resale Certificate

As a registered seller with a permanent permit, you may buy tangible personal property for resale without having to pay sales or use tax to the vendor. To make purchases of this type, you must give the seller a *resale certificate*.

The resale certificate may be in any form, such as a note, letter, or memorandum, provided it contains all of the following information:

- Your organization's name and address
- Your seller's permit number
- A description of the property you will purchase
- A statement that the described property is being purchased for resale (the certificate must contain words that state the property *will be resold* or *is for resale*)
- The date of the document
- The signature of someone authorized to act on behalf of your organization

You should not use a resale certificate if there is any question that the merchandise you purchase will not be resold. If you are unsure whether you will resell an item, you should pay the tax to your supplier. If you later sell the item, you can take a deduction on the sales and use tax return on which you report that sale.

*Note:* If your organization is considered an end user, rather than a retailer, as described in chapter 2, *Organizations Whose Sales Are Generally Not Taxable*, you cannot use a resale certificate to purchase items without paying tax. You must pay tax to your supplier at the time you purchase items you will later sell.

More information on using a resale certificate can be found in Publication 73, *Your California Seller's Permit*.

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## **Purchases Subject to Use Tax**

There is no general exemption from sale or use tax for nonprofit organizations. Consequently, your purchases for your organization may be subject to sales or use tax, as explained below.

If you purchase an item with a resale certificate, but use it for a purpose other than resale, you will owe *use tax* as a result of that use. You must report the purchase price of such items under *Purchases Subject to Use Tax* on your sales and use tax return.

Supplies and equipment purchased for use by your organization, such as bookkeeping supplies, display equipment, and so forth, are subject to sales or use tax at the time of purchase. You cannot use a resale certificate to purchase these items without paying tax, if you know at the time of purchase you will not resell them.

If you purchase items like those described in the previous paragraph from an out-of-state seller who does not charge California use tax, you must pay use tax on that purchase. As with other purchases subject to use tax, the purchase price of the items must be reported on your sales and use tax return under *Purchases Subject to Use Tax*.

For more information on using a resale certificate or purchases subject to use tax, please call our Information Center (see page 26). You may also wish to obtain a copy of Regulation 1685, *Payment of Tax by Purchaser*.

## **Recordkeeping for Operators of Flea Markets, Swap Meets, and Trade Shows**

If you conduct a flea market or swap meet at which sellers rent or lease space under your control, you may be required to obtain certain information from those sellers and provide it to the Board. For more information, please contact your local Board office. Phone numbers are listed on page 28.

## 5. Newspapers and Periodicals

☞ For more information, you may wish to obtain a copy of Regulation 1590, Newspapers and Periodicals, from your local Board office.

### Specific Exemptions from Tax

Nonprofit organizations commonly distribute newspapers and periodicals to the public and their members. This chapter provides general information on the application of sales and use tax to these publications.

**Please note:** The law regarding the application of tax to newspapers and periodicals has changed several times in recent years. This chapter includes only current information. If you wish to obtain information regarding earlier law or regulations, please contact our Information Center (see page 26).

The sale of newspapers and periodicals is generally taxable. However, tax does not apply to the sale or use of these publications under certain circumstances. The newspaper or periodical must be:

- Published from four to 60 times a year
- Sold by subscription
- Delivered by mail or common carrier

*Please note:* If a periodical you produce or distribute does not qualify for this tax exemption, its sale or use may still be exempt from tax under special rules for nonprofit organizations, as explained later in this chapter.

**Component parts.** Tax does not apply to the sale or use of materials — such as paper and ink — that are physically incorporated into a tax-exempt newspaper or periodical. Fliers, circulars, handbills, and similar items are considered to be tax-exempt component parts when inserted in or attached to an exempt publication.

**Publications distributed without charge.** In addition, the sale or use of component ingredients of newspapers and periodicals distributed without charge is not subject to tax, provided the publications are regularly published, averaging at least four issues a year. If you distribute a newspaper or periodical on a voluntary pay basis — that is, you request but do not *require* payment for the publication, it is considered to be distributed without charge.

### Nonprofit 501(c)(3) Organizations

If your organization qualifies for tax-exempt status under Internal Revenue Code Section 501(c)(3), tax does not apply to the sale or use of a newspaper or other periodical you distribute, or to its component parts, if *either* of the following apply:

- Issues of the publication are distributed to your organization's members in consideration of their membership dues.
- The publication does not receive revenue from or accept commercial advertising.

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To qualify for the tax exemption, the newspaper or periodical must be regularly published, averaging at least four issues a year.

Newspapers and periodicals distributed by government entities established and administered for the purposes provided in Internal Revenue Code Section 501(c)(3) may also qualify for this tax exemption.

## Other Nonprofit Organizations

If your nonprofit organization does not qualify under Internal Revenue Code Section 501(c)(3), the sale or use of newspapers and periodicals you distribute may also be exempt from tax. Tax does not apply if *both* of the following conditions are met:

- The publication is distributed to your organization's members in consideration of their membership dues.
- The cost for printing the publication is less than ten percent of the membership fee for the period in which the publication is distributed (please see section on *printing costs*, below).

*Example:* Your organization, a 501(c)(4) nonprofit group, prints and distributes a monthly newsletter for its members. They receive the newsletter in consideration of their \$25 annual membership dues. If the printing cost of the newsletter is less than 0.208 cents per issue (\$25 annual membership fee divided by 12 months  $\times$  10 percent = 0.208 cents), the publication and its component materials would be exempt from tax.

*If you have published a newspaper or periodical for more than a year, and your printing method has not changed, you may use the printing costs for the same sales tax reporting period in the prior year to determine your current costs.*

**Calculating your printing costs.** To determine your printing costs, you must include the cost of materials that become physical components of the publication—ink and paper, for example—and the cost of printing labor. Other charges, such as camera work, typography, and layout should not be included. You must obtain and keep documentation from your printer that shows the cost for the allowable charges separated from other charges.

If your organization does its own printing, you must include fringe benefits and payroll taxes in your labor cost. In addition to costs for component materials, you must also include any other costs you incur for the actual printing of the newspaper or periodical.

## Exemption Certificate

If your publication qualifies as tax-exempt, you should issue an exemption certificate to your supplier or printer when you purchase component materials or have the publication printed, certifying that your publication is not subject to sales or use tax. Sample certificates can be found in Regulation 1590, *Newspapers and Periodicals*.

## 6. Food and Meals

☞ For more information, you may wish to obtain a copy of Regulation 1603, Taxable Sales of Food Products, and pamphlet 22, Tax Tips for the Dining and Beverage Industry.

### Food in General

*This chapter is designed as a general guide for applying tax to sales of food and meals, for those organizations not considered consumers of items they sell (please see chapter 2). It is not a detailed explanation of all circumstances affecting food sales. If, after reading this chapter, you have questions regarding how to apply tax to the sale of food at your particular event, please call our Information Center (see page 26).*

**Please note:** Provisions of the Sales and Use Tax Law regarding the application of tax to certain food products have changed several times in recent years. This chapter includes only current information. Please call our Information Center if you wish to obtain information regarding earlier law or regulations.

Sales of food products intended for human consumption are generally not subject to tax. However, they are taxable in certain circumstances, as described later in this chapter. The source of the food does not affect the application of tax — the same rules apply to sales of homemade food, donated food, and food purchased by others for your organization.

### Meals

A *meal* is defined as a combination of food products, or a combination of food products and edible nonfood products, sold for an established single price. A single price is considered to be established if a menu or a sign lists one price for the sale of a combination of items, whether the combination is all food or a mixture of food and edible nonfood products.

A meal is considered *served* if it is intended to be eaten at facilities you provide, or if it is provided on, or in, an individual, returnable container from which it can be eaten.

**Combination of cold edible food products.** The sale of a meal “to go” made up of *cold* food products *only* — a cold sandwich, an apple, and milk, for example — is generally not subject to tax. However, if the meal is *served* (as explained above), or sold to be eaten at an event where admission is charged (please see page 21), the sale of the meal is taxable.

**Combination including hot prepared food products.** The sale of a meal that includes a hot prepared food product — a hamburger and salad, for example — is generally taxable (please see following pages).

**Combination of food and edible nonfood products.** The sale of a meal consisting of a combination of food and edible nonfood products — a cold sandwich and a beer or soft drink, for example — is generally taxable.

However, meals served by certain institutions or organizations are exempt from tax, as explained on the following page.

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## ■ Certain Meals and Food Products Exempt from Tax

### *Meals served to low-income elderly persons*

If your nonprofit organization furnishes or serves meals or food products to low-income elderly persons, at or below your cost, those sales are exempt from tax. The meals must be provided under a state- or federally-financed program.

### *Meals delivered to elderly and disabled persons*

The sale or use of meals delivered to homebound elderly or disabled persons by a nonprofit volunteer home delivery meal provider is exempt from sales and use tax.

### *Meals and food sold at schools*

Sales of meals or a la carte food products to school students are not taxable, when sold by public or private schools, school districts, student organizations, parent-teacher organizations, or any blind person operating a restaurant or vending stand in an educational institution. Sales of *edible nonfood products* to students — such as carbonated beverages — are taxable, unless the products are sold as part of a meal.

*Note:* As noted on the previous page, a meal is defined as a combination of food products, or food products and edible nonfood items, sold for a single price. To be exempt from tax, the combination must be sold to students at a time regularly set aside for meals, not recess or breaks.

Sales of food to students and nonstudents in a place where admission is charged — such as an athletic event — are taxable, even when the event is held at an educational institution.

Generally, sales of meals and food products to *nonstudents* are taxable.

### *Meals furnished or served by religious organizations*

Sales of meals and food products by your religious organization at a social or other gathering it conducts are not subject to tax, provided both of the following conditions are met:

- The meals or food are furnished to raise funds for the organization's functions and activities; *and*
- The proceeds are used to carry on those functions and activities.

For purposes of this exemption, *religious organization* means an organization whose property is exempt from taxation under Article XIII, section 3, subdivision (f) of the state Constitution.

### *Meals, food, and beverages furnished by social organizations or fraternal organizations*

Social clubs and fraternal organizations include any association or group acting as a unit, such as service clubs, lodges, and community, country, or athletic clubs. Tax applies to the sales of meals, food, and drink by social clubs and fraternal organizations *unless* both of the following requirements are met:

- The meals, food, and beverages are sold exclusively to members
- They are sold less frequently than once a week

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If an organization furnishes meals to nonmembers, all receipts from the sale of meals, food, and drink are subject to tax (whether furnished to members or nonmembers), including receipts on occasions when meals, food, and drink are furnished exclusively to members. Meals, food, and drink paid for by members are considered furnished to members, even though consumed by guests who are not members.

***Meals served to patients or residents of institutions***

Sales of meals and food products to residents or patients of certain institutions are exempt from tax. These facilities include:

- Qualified health care facilities
- Qualified community care facilities
- Qualified residential care facilities for the elderly
- Qualified alcoholism recovery, drug recovery, or drug treatment facilities
- Any house or institution supplying board and room for a flat monthly rate, that serves as a principal residence *exclusively for persons age 62 or older*
- Any housing primarily serving older persons, financed by state or federal programs

In addition, sales tax does not apply to those institutions' purchases of food products, meals, and nonreusable items that become parts of meals or food products — such as straws, paper napkins, and carbonated beverages. The meals or food products must be furnished or served to patients or residents.

For more information on qualifying institutions, you may wish to call our Information Center (see page 26) and request a copy of Regulation 1503, *Hospitals, Institutions, and Homes for the Care of Persons*.

**Sales of Food for Fund-raising**

The circumstances under which you sell food affect whether it is subject to tax. The following sections describe certain general rules for food sales, and will help you understand how to apply tax to common fund-raising situations such as bake sales, fund-raising dinners, and other events.

***Beverages***

Sales of alcoholic beverages are taxable. Sales of carbonated beverages — including bottled, carbonated water — are also taxable. Sales of noncarbonated and noneffervescent bottled water are generally not subject to tax, but may be taxable in certain situations described later in this chapter. (Hot beverages are discussed under *Hot Prepared Foods*.)

***Candy and Snack Foods***

Sales of snack foods, candy, and chewing gum are generally not taxable. They are, however, subject to tax in certain situations described later in this chapter.

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### ***Hot Prepared Foods***

Sales of hot prepared food products are taxable whether sold for consumption on the premises or “to go.”

Hot prepared food products are those products, items, or food components that have been prepared for sale in a heated condition, and sold at any temperature higher than the air temperature of the room or place where they are sold. Examples include hot pizza, hot popcorn, hot nuts, hot barbecued chicken, and hot soup. Sales of food prepared to be served hot are taxable even if the food has cooled by the time it is served.

A combination of hot and cold food items sold for one single price is also considered a hot prepared food product. Examples include a combination plate of hot barbecued spare ribs, cole slaw, and a roll sold for one price, or coffee and a doughnut sold for a single price.

Hot bakery goods, hot coffee, and other hot beverages are considered hot prepared food products, but except for bouillon, consommé, and soup, they are exempt from tax when sold as individual items on a “to go” basis. However, under certain circumstances, the sale of these products is subject to tax. Hot bakery goods, hot coffee, and other hot beverages are taxable when sold:

- Within a place where admission is charged, such as a concert or play (as explained on the next page)
- To be eaten at facilities you provide, including tables set up at a fund-raising booth (as explained below)
- At a drive-in operation
- Through a vending machine for more than 15 cents
- In combination with other food for a single price, as noted above

### ***Food sold in places where admission is charged***

Sales of food, meals, or beverages are generally taxable when the food product is sold to be eaten *within a place where admission is charged*, such as a concert, a play, a football game, or a similar location.

For example, if you sell juice and sandwiches at a dog show where spectators have paid \$5 for admission, your food sales are taxable.

*Please note:* Food products that are not taxable when sold “to go” are taxable when sold under these circumstances. For example, although candy is not a taxable product when sold in a store “to go,” it is subject to tax when sold within a place where admission is charged.

Sales of food products that would not ordinarily be eaten on the premises — such as jars of jam or whole pies — are not taxable. If you make sales of this type, be sure to keep good records that clearly indicate the reason tax did not apply to those sales.

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**Exceptions.** Certain locations are not covered by this regulation, including: national and state parks, marinas, campgrounds, and recreational vehicle parks. Places where admission is based on membership dues or use of a student body card, and places where spectators are admitted free, such as bowling alleys and golf courses, are not considered to be places where admission is charged.

***Food sold where eating facilities are provided***

Sales of food, meals or beverages are generally taxable when sold ready to eat at a location where your organization provides:

- Tables, chairs, or counters *for dining*; or
- Trays, glasses, dishes or other tableware for your customers' use.

For example, if your organization sells ice cream sundaes at an event where tables and chairs are available for use by your customers, your sales are subject to tax.

***Sales of food "to go"***

With the exception of hot prepared food products (described on the previous page), tax does not generally apply to sales of food "to go." For example, sales of baked goods at a table in a shopping center are not taxable.

If you claim an exemption from tax for sales of this type, you must:

- Keep records indicating that you did not provide facilities where the food could have been consumed immediately; *or*
- *If eating facilities were available:* (1) Keep records, if applicable, indicating that the food products sold would not ordinarily have been consumed on the premises (see *places where admission is charged*, above); and (2) Carefully segregate your receipts from sales "to go" from sales made to be eaten at facilities you provided. The separation should be made in your sales records, cash register listings, or a similar record that can be verified by audit.

***Important note:*** If you sell food "to go" that is suitable for eating at your place of business, all of your food sales may be taxable. For more information, you may wish to call our Information Center (see page 26) and request a copy of Publication 22, *Tax Tips for the Dining and Beverage Industry*.

**■ Special Events Involving Food, Meals, or Refreshments**

***Special considerations for ticket pricing***

Special events sponsored by your organization may include both taxable and nontaxable activities. Consequently, your organization should be especially careful when providing food, drinks, prizes, admission to entertainment, and so forth, for one *lump-sum* amount designated as a donation. Generally, if you charge a lump-sum dona-

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tion for a fund-raising event involving taxable sales, the entire ticket charge will be taxable, unless:

- The taxable charges are listed separately on the tickets for the event; *and*
- The taxable and nontaxable charges are recorded separately.

*Example:* You may hold a fund-raising dinner-dance, where the \$50 ticket donation includes dinner and drinks (which are taxable) and dancing (which is not taxable). If your tickets list only one price, the entire charge is subject to tax. Alternately, if the tickets state, *ticket price includes \$35 for dinner and drinks*, and your event income records reflect this breakdown, tax applies only to the \$35 charge attributed to dinner and drinks.

However, if your organization is not responsible to report and pay the tax for sales of meals at a fund-raising dinner or other event (as explained below) you do not need to separate charges in this manner.

Amounts received for tickets sold, but not used, are not considered taxable sales.

#### ***Meals served at fund-raising events***

Charges for drinks, food, and meals included in the ticket price of fund-raising dinners or special events are generally taxable. The business or organization that *serves* the meals at a fund-raising event is responsible to report and pay the tax due. For example, if members of your organization prepare the food for a banquet, and you contract with a catering company to serve the meals, the caterer is responsible to report and pay sales tax based on his or her charges.

If your organization contracts with a restaurant, hotel, or caterer to provide and serve meals at a certain price, the food provider is responsible to report and pay the sales tax due, based on the amount charged you for the meals. Your organization is *not* required to pay tax on the proceeds you receive from the sale of meals served by another business.

*Example:* Your organization holds a political fund-raising dinner at the ballroom of a hotel, with ticket prices of \$100 each. You contract with an outside caterer to provide and serve meals and drinks at \$25 per person. Since your organization does not serve the meals, the caterer is responsible to report and pay sales tax.

However, if your organization serves meals at an event, you are responsible to report and pay the sales tax due, whether the meals are furnished by your own organization, purchased, prepared by a caterer, or donated. Tax is due based on the ticket price for the meal. As noted in the previous section, if the charge for the meal is not separately specified on the event ticket, tax is due on the entire ticket price.

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***Refreshments served,  
when mentioned on  
the event tickets***

If the tickets for your event specifically mention refreshments as part of the ticket price, the full amount is taxable, unless:

- People can participate in part of the activity for a lesser charge;  
or
- The amount of food served at the event is minor.

In either case, tax would apply only to the value of any taxable items — including the value of any refreshments — provided for the amount paid.

*Example:* The tickets to your dance state: *Dance, Refreshments, and Door Prize – \$10*. If a person can participate in the dance and the door prize — both nontaxable — for \$8, while forgoing the refreshments, the \$8 collected would not be taxable. Or, if a person must pay the entire amount to participate, but food is a minor feature of the event, tax would apply only to the value of the food.

***Refreshments served,  
when not mentioned  
on the event tickets***

If your tickets *do not* mention refreshments, and you serve only an *insignificant* amount of food at your event, no portion of the ticket donation is taxable. For example, if you hold a *Meet-the-Candidate Night* and serve only coffee and tea, no tax would apply to the ticket donation.

***Deduction for  
tax-paid expenses***

If you pay sales tax on items used at your fund-raising event — such as carbonated beverages, alcoholic beverages, paper plates, paper napkins, and so forth — you may be able to take a deduction on your sales and use tax return. You must use the items for a taxable activity included in the ticket price for your event.

For example, if your organization paid sales tax when it bought paper plates on which to serve meals at a \$8 per ticket fund-raising breakfast, you can take a deduction for the tax-paid plates. The deduction can be taken under *Tax-Paid Purchases Resold* on your sales and use tax return. You must claim the deduction on the same return on which you report the full, taxable gross receipts from the breakfast (taking the deduction does not change the amount you report as total sales for the event).

## 7. Donations and Loans

*Under certain circumstances, donations made by retailers to volunteer and nonprofit organizations are not taxable. This section addresses some of those donations. For more information, see also page 3, "Works of Art and Museum Pieces."*

*You may also wish to contact our Information Center (see page 26) and request a copy of Regulation 1669, Demonstration, Display and Use of Property Held for Resale—General, or Regulation 1669.5, Demonstration, Display and Use of Property Held for Resale—Vehicles.*

### Property Donated to Qualified Organizations

Items withdrawn from a seller's inventory and donated to a qualified organization located in California are not subject to use tax. Qualified organizations include:

- Religious organizations
- Charitable organizations, such as the Red Cross, the Salvation Army, nonprofit schools and hospitals, and medical assistance and research groups
- Organizations operated for educational, scientific, or literary purposes, including nonprofit museums, art galleries, and performing arts groups
- Organizations operated for the protection of children or animals
- Fraternal lodges, if the donated items are to be used for charitable purposes and not for the benefit of the members
- The United States, this state, and political subdivisions of the state such as counties, cities, and special districts

More detailed information on qualified organizations can be found in Section 170 (b) (1) (A) of the Internal Revenue Code.

### Loans to Schools

Certain loans by retailers are exempt from use tax, including:

- Loans of items to a school district for a district educational program
- Loans of motor vehicles to be used exclusively in driver training programs by accredited private or parochial secondary schools. The driver training program must be approved by the State Department of Education as a regularly conducted course of study.

## 8. For More Information

### Information Center

If you have a general tax question or would like to order a publication, please call our Information Center and talk to a customer service representative. Representatives are available from 8:00 A.M. to 5:00 P.M., Monday-Friday, excluding State holidays. Please call:

**1-800-400-7115**

For TDD assistance (telephone device for the deaf), please call:

From TDD phones:

1-800-735-2929

From voice phones:

1-800-735-2922

You can also call toll-free to report suspected tax evasion. Call 1-888-334-3300 during working hours to speak to a representative .

### For Questions Regarding Your Account

If you have a question regarding your account (for example, a question about an audit, a tax payment, or a billing), please call the office that maintains your records. Their telephone number is printed on your tax return. Or see page 28 for a list of local Board office telephone numbers.

### Fax-Back Service

Selected forms and notices are available on our automated fax-back service. Call 1-800-400-7115 at any time and choose the fax option.

### Helpful Publications and Regulations

The following regulations and publications may be of interest. To order any of these items, please call our Information Center .

#### ■ Regulations

- 1503 Hospitals, Institutions, and Homes for the Care of Persons
- 1570 Charitable Organizations
- 1574 Vending Machine Operators
- 1586 Works of Art and Museum Pieces for Public Display
- 1590 Newspapers and Periodicals
- 1597 Property Transferred or Sold by Certain Nonprofit Organizations
- 1603 Taxable Sales of Food Products
- 1669 Demonstration, Display, and Use of Property Held for Resale—General
- 1669.5 Demonstration, Display, and Use of Property Held for Resale—Vehicles
- 1670 Gifts, Marketing Aids, Premiums, Prizes
- 1685 Payment of Tax by Purchaser
- 1698 Records
- 1700 Reimbursement for Sales Tax
- 1821 Foreword—District Taxes

A complete listing of Board regulations appears in the Publication 73, *Your California Seller's Permit*.

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## ■ Publications

- 22 *Tax Tips for the Dining and Beverage Industry*
- 44 *Tax Tips for District Taxes*
- 48 *Church Exemption and Religious Exemption*
- 51 *Guide to Board of Equalization Services*
- 61 *Sales and Use Taxes: Exemptions and Exclusions*
- 70 *The California Taxpayer's Bill of Rights*
- 73 *Your California Seller's Permit*
- 74 *Closing Out Your Seller's Permit*
- 75 *Interest and Penalty Payments*
- 76 *Audits and Appeals*
- 77 *Publications*

To obtain copies of publications and regulations, you may:

**Call our toll-free number.** Our toll-free number is listed on page 26. If you know the name of the publication, form, or regulation you need, you can call at any time and leave a recorded message. Or, if you call during business hours, you can talk to a representative and leave your request. Certain documents are also available on our fax-back service described on page 26.

**Visit our Internet site.** You can visit our web site to download order forms listing available Board publications, regulations, manuals, and law guides. You can also download selected publications. See "Computer Access" below.

## Tax Information Bulletin

As a registered seller, you also receive the quarterly *Tax Information Bulletin*, which includes articles on the application of law to specific types of transactions, announcements regarding new and revised publications, and other articles of interest to sellers. The bulletin is mailed with your sales and use tax return(s). If you file only once a year and would like to receive all four bulletins, please write to the following address and ask to be added to Mailing List #15: State Board of Equalization; Mail Services Unit, MIC:12; Attn: Addressing Systems; P.O. Box 942879; Sacramento, CA 94279-0012

## Written Tax Advice

For your protection, it is best to get tax advice in writing. If you write to the Board for advice regarding the taxability of a transaction and the Board's written reply is incorrect, you may be relieved of tax, penalty, or interest charges. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction. You should send your request to the Board office that handles your account.

## Computer Access

We maintain a variety of information on our web site, including sales and use tax rates by county, Board field office addresses and tele-

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phone numbers, Taxpayers' Bill of Rights Hearings, publication order forms, an agency profile, and Board Member biographies. You can also download copies of selected pamphlets and regulations.

Our address is <http://www.boe.ca.gov>

### Classes

You can enroll in a basic sales and use tax class offered by some local Board offices. You should call ahead to find out whether a class is offered for beginning sellers.

### Field Offices

| City             | Area Code | Number   | City                                     | Area Code | Number   |
|------------------|-----------|----------|--|-----------|----------|
| Bakersfield      | 805       | 395-2880 | San Francisco                            | 415       | 396-9800 |
| City of Industry | 562       | 908-5280 | San Jose                                 | 408       | 277-1231 |
| Concord          | 925       | 687-6962 | San Marcos                               | 760       | 744-1330 |
| Culver City      | 310       | 342-1000 | Santa Ana                                | 714       | 558-4059 |
| El Centro        | 760       | 352-3431 | Santa Rosa                               | 707       | 576-2100 |
| Eureka           | 707       | 445-6500 | Stockton                                 | 209       | 948-7720 |
| Fresno           | 209       | 248-4219 | Suisun City                              | 707       | 428-2041 |
| Laguna Hills     | 949       | 461-5711 | Torrance                                 | 310       | 516-4300 |
| Norwalk          | 562       | 466-1694 | Van Nuys                                 | 818       | 904-2300 |
| Oakland          | 510       | 286-0347 | Ventura                                  | 805       | 677-2700 |
| Rancho Mirage    | 760       | 346-8096 | <b>Offices for Out-of-State Accounts</b> |           |          |
| Redding          | 916       | 224-4729 | Chicago, IL                              | 312       | 201-5300 |
| Riverside        | 909       | 680-6400 | Houston, TX                              | 281       | 531-3450 |
| Sacramento       | 916       | 255-3350 | New York, NY                             | 212       | 697-4680 |
| Salinas          | 408       | 443-3008 | Sacramento, CA                           | 916       | 322-2010 |
| San Diego        | 619       | 525-4526 |  |           |          |

## *What do you think of this pamphlet?*

We hope that this newly revised tax tip pamphlet will help you to better understand the Sales and Use Tax Law as it applies to your organization.

We would appreciate it if you could take a few minutes to give us your comments and suggestions for this pamphlet, so that we can improve future revisions. We'd also like to have some information that will help us make our publications program more useful to you. Please answer the questions below and on the reverse, remove the page, and return it to us. It is designed as a postage-paid self-mailer: you may fold the page as indicated and seal it with two pieces of tape.

Thank you for taking the time to respond to this survey.

### **Pamphlet Comments and Suggestions**

1. Does this pamphlet help you apply the sales and use tax in your business operations?
2. Are there any sections of the pamphlet that you find particularly helpful? (please note)
3. Are there any sections of the pamphlet that you find confusing? (please explain, if possible)
4. Are there any topics not addressed in this pamphlet that you would like us to include?
5. Are there any sections of the pamphlet that you feel are incomplete? What would you add to them?
6. Do you have any other comments or suggestions for improving this pamphlet?

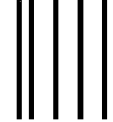
*Please answer questions on reverse*

date \_\_\_\_\_

tape



State Board of Equalization  
P.O. Box 942879  
Sacramento, CA 94279-0058



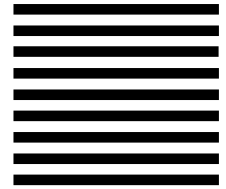
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**Reader Survey Information** (please check all boxes that apply)

What is the nature of your organization's work?

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- ☐ less than one year    ☐ 1-5 years  
☐ 6-10 years    ☐ more than 10 years

- ☐ Board field office  
☐ Board auditor  
☐ Board Supply Unit  
☐ Tax Information Center  
☐ Other (please list) \_\_\_\_\_

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- ☐ Board field office  
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